

**STATE OF WASHINGTON**



**OFFICE OF  
INSURANCE COMMISSIONER**

**BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON**

In the Matter of	)	
	)	CONSENT AND ORDER
ALLIANZ LIFE INSURANCE	)	TO LEVY FINE
COMPANY OF NORTH AMERICA	)	
	)	NO. D01-120
Authorized Insurer	)	

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FINDINGS OF FACT:

1. Allianz Life Insurance Company of North America is an insurer authorized to conduct life and disability insurance business in the State of Washington.
2. The Office of the Insurance Commissioner ("OIC") performed a Target Market Conduct Examination of Allianz Life Insurance Company of North America ("Allianz" or the "Company") with respect to marketing and sales practices, agent licensing, complaints, and policy replacement activity for Washington insureds between January 1, 1992 and December 31, 1996.
3. On May 3, 2000, a Report ("Report") setting forth Findings, Instructions, and Recommendations with respect to the above-referenced Target Market Conduct Examination was adopted by the Insurance Commissioner, which found the following facts to be true during the period covered.
4. Twenty-four agents solicited a total of 44 policies without having been appointed by Allianz.
5. Three Allianz advertisements referred to an A.M. Best company rating of A+ but did not provide a clear explanation as to the meaning of the rating.
6. Four Allianz advertisements purported to show its financial condition, but listed the amount of assets without including a statement of the Company's liabilities, rendering the advertisements misleading.

7. Four Allianz advertisements illustrated Allianz's advantages through its association with the Allianz worldwide insurance organization, and the assets listed were actually belonging to the Allianz worldwide organization, rendering the advertisements misleading.
8. Allianz produced illustrations of an Allianz product that included "premium" bonuses ranging from 1% to 10% of the actual premium paid for the policy, as an inducement for purchasing deferred annuity certificates. The bonuses were mostly illusory since they are generally subtracted from the cash value of the policy for 20 years from the date of issue. The bonuses were offered by agents on a discretionary basis. When a bonus was issued, the agent's commission was reduced by an amount proportional to the bonus percentage.
9. One replacement file contained a letter dated August 24, 1995 from Allianz's policy holder service department referring to certificates issued on January 29, 1992 and February 12, 1992 which stated that a bonus of \$6,766.20 and \$4,882.43 respectively "was applied to your certificate to help offset the surrender penalties you incurred with transfer." This letter failed to inform the certificate holder that the bonuses were not available as surrender values until the 20th policy year.

#### CONCLUSIONS OF LAW:

1. Allianz's acceptance of 44 policy applications from 24 agents who had not been appointed by the Company constituted 44 violations of RCW 48.17.160.
2. Allianz's acceptance of numerous variable annuity applications and its issuance of annuities pursuant to those applications from agents who had not been appointed by the Company constituted numerous violations of RCW 48.18A.060.
3. Allianz's failure to include a clear explanation in three of its advertisements that advisory service A.M. Best's practice is to rate insurance companies on a scale that includes an "A++" rating, at the same time that Allianz represented its A.M. Best rating as "A+," constituted three violations of WAC 284-30-660.
4. Allianz's use of four advertisements which were false or misleading with respect to the financial condition of the insurer violated WAC 284-23-080.
5. Allianz's use of four advertisements which were false and misleading in that they listed assets other than those actually owned and possessed by the insurer in its own exclusive right constituted four violations of RCW 48.30.070.
6. Allianz's offers of premium bonuses, in varying amounts ranging from 1% to 10% of the actual premium paid for the policy as an inducement for purchasing deferred annuity certificates, violated RCW 48.30.150.
7. Allianz's misrepresentation of the terms of policies or the benefits or advantages promised thereby violated of RCW 48.30.090.

#### CONSENT TO ORDER:

Allianz Life Insurance Company hereby admits to the foregoing Findings of Fact and Conclusions of Law.

By agreement of the parties, the OIC will impose a fine of Thirty-Five Thousand Dollars on Allianz Life Insurance Company of North America, and suspend Seventeen Thousand Five Hundred Dollars of that amount, on condition that:

1. Allianz Life Insurance Company of North America pays Seventeen Thousand Five Hundred Dollars of the fine for its violations of Washington insurance law within thirty days of the entry of this Order.
2. Allianz Life Insurance Company of North America execute and carry out all details of the "Compliance Plan" as set forth in Exhibit 1.
3. Allianz Life Insurance Company of North America commits no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered. The OIC will not impose the balance of the fine nor proceed against Allianz certificate should it commit isolated, de minimis, violations of the statutes and regulations that are the subject of this Consent Order during the suspense period, as determined by the OIC. Allianz Life commits to rectifying such violations promptly once they are discovered.

EXECUTED and AGREED this 14th day of February, 2002.

ALLIANZ LIFE INSURANCE COMPANY OF  
NORTH AMERICA

\_\_\_\_\_  
TITLE

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SIGNED

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of Thirty-five Thousand Dollars upon Allianz Life Insurance Company of North America, and suspends Seventeen Thousand Five Hundred Dollars under the Conditions set forth in the Consent to Order section of this Consent Order. Seventeen Thousand Five Hundred Dollars of the fine must be paid in full within thirty days of the date of entry of this order. Failure to pay this portion of the fine and to comply with the stated Conditions shall constitute grounds for recovery of the full fine, including the suspended portion, and for revocation of Allianz Life Insurance Company of North America's certificate of authority in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this 21st day of February, 2002.

MIKE KREIDLER  
Insurance Commissioner

By: \_\_\_\_\_  
Charles D. Brown, Staff Attorney  
Legal Affairs Division